

SECURITY



ON

10026179

OMB APPROVAL

OMB Number: 3235-0123
Expires: February 28, 2010
Estimated average burden
hours per response..... 12.00

SEC FILE NUMBER

8-51785

RECEIVED

2010 JAN 19 AM 11:08

SEC / TM

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING October 1, 2008 AND ENDING September 30, 2009

MM/DD/YY

MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Nab Capital Securities LLC
(AKA - Nab Securities, LLC)

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

245 Park Avenue, 28th Floor

FIRM I.D. NO.

(No. and Street)

New York, New York 10167

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

THOMAS DeMaio, President(212) 916-9520

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Metis Group CPAs LLC

(Name - if individual, state last, first, middle name)

14 Penn Plaza - Suite 1800, New York, New York 10122

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant☐ Public Accountant\☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

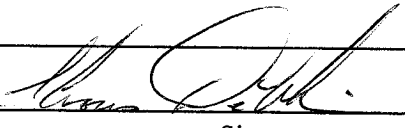
SEC 1410 (06-02)

Potential persons who are to respond to the collection of
information contained in this form are not required to respond
unless the form displays a currently valid OMB control number.


BB
2/26

OATH OR AFFIRMATION

I, Thomas DeMaio, swear (or affirm) that, to the best of my knowledge and belief the accompanying statement of financial condition and supporting schedules pertaining to the firm of nabCapital Securities, LLC, as of September 30, 2009, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Signature

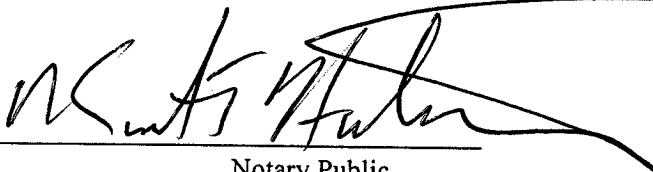


Title

KENNETH T. HUTCHINSON
Notary Public, State of New York

No. 01HU4693082

Qualified in Nassau County
Commission Expires May 31, 2011



Notary Public

This report ** contains (check all applicable boxes):

- X (a) Facing Page.
- X (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- X (l) An Oath of Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

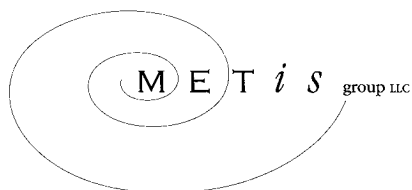
**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

nabCapital Securities, LLC
Statement of Financial Condition

September 30, 2009

Contents

| | |
|--|---|
| Report of Independent Auditors | 1 |
| Financial Statements | |
| Statement of Financial Condition | 2 |
| Notes to Statement of Financial Condition..... | 3 |



CERTIFIED PUBLIC ACCOUNTANTS

14 Penn Plaza, Suite 1800

New York, NY 10122

Phone: 212-643-0099

Fax: 212-947-3878

WWW.METISGROUPLLC.COM

Independent Auditor's Report

To the Board of Directors of
nabCapital Securities, LLC

We have audited the accompanying statement of financial condition of nabCapital Securities, LLC (the "Company") as of September 30, 2009. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial condition based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, and evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition, referred to above presents fairly, in all material respects, the financial position of nabCapital Securities, LLC at September 30, 2009, in conformity with accounting principles generally accepted in the United States of America.

METIS GROUP CERTIFIED PUBLIC ACCOUNTANTS LLC

New York, N.Y.
November 23, 2009

nabCapital Securities, LLC

Statement of Financial Condition

September 30, 2009

Assets

| | |
|-----------------------------------|---------------------|
| Cash and cash equivalents | \$ 8,058,614 |
| Due from clearing broker | 260,275 |
| Due from affiliates | 1,162,839 |
| Accounts receivable | 1,074,273 |
| Securities owned, at market value | 94,725 |
| Total assets | <u>\$10,650,726</u> |

Liabilities and member's equity

Liabilities:

| | |
|-------------------------|--------------|
| Due to affiliates | \$ 6,045,811 |
| Subordinated borrowings | 5,000,000 |

Member's equity:

| | |
|---------------------------------------|---------------------|
| Member's contribution | 375,000 |
| Accumulated deficit | (770,085) |
| Total member's equity | <u>(395,085)</u> |
| Total liabilities and member's equity | <u>\$10,650,726</u> |

See accompanying notes to statement of financial condition.

nabCapital Securities, LLC

Notes to Statement of Financial Condition

September 30, 2009

1. Organization

nabCapital Securities, LLC (the “Company”) is a wholly-owned subsidiary of National Australia Bank Limited (the “Parent”) based in Melbourne, Australia. The Company was formed under the laws of the State of Delaware on September 25, 1998 as a limited liability company.

The Company is based in the United States and conducts business from its office in New York City. The Company is engaged in brokerage-related activities, which generate a significant portion of the Company’s revenues from customers of the Parent, its affiliates, and other institutional clients. Such activities primarily include U.S. and foreign securities order flow.

The Company is a registered broker-dealer under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority (“FINRA”). The Company does not carry securities accounts for customers or perform custodial functions relating to customer securities and, accordingly, is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934 pursuant to paragraphs (k)(2)(i) and (ii) of the Rule.

The Company clears its securities transactions on a fully disclosed basis through Pershing, LLC (the “clearing broker”).

2. Significant Accounting Policies

Basis of Preparation

The preparation of the statement of financial condition in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its statement of financial condition are reasonable and prudent. Actual results could differ from these estimates. Accrual of underwriting commissions at year end is subject to management estimate of, and later adjustment for, final settlement with lead underwriters.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and highly liquid securities with original maturities of ninety days or less, except for cash pledged with the clearing broker. Cash equivalents include a \$6,000,000 U.S. Treasury Bill.

nabCapital Securities, LLC

Notes to Statement of Financial Condition (continued)

2. Significant Accounting Policies (continued)

Securities Owned

Securities owned are stated at fair value with related changes in unrealized appreciation or depreciation reflected in unrealized gain or loss on investments. Fair value has been the market value based on published market prices (Level 1 fair value).

Fair Value of Financial Instruments

The Company is subject to the U.S. accounting rules for *Fair Value Measurement*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date.

In determining the fair value, the Company uses various valuation approaches as defined by the U.S. accounting rules under *Fair Value Measurement* hierarchy which is broken down into three levels based on the reliability of inputs as follows:

- Level 1 – Valuation based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 – Valuation based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

nabCapital Securities, LLC

Notes to Statement of Financial Condition (continued)

2. Significant Accounting Policies (continued)

Income Taxes

The Company, as a limited liability company, is only subject to New York City unincorporated business tax and not U.S. federal or state income taxes. Income taxes for New York are an allocated share of the U.S. taxes of the New York branch of the Parent and are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

3. Securities Owned

At September 30, 2009, securities owned, at fair value of \$94,725 (its quoted market value) consist of NASDAQ shares.

4. Fair Value of Financial Instruments

The fair values of financial instruments appearing on the Statement of Financial Condition have the following valuation approaches defined by U.S. accounting rules under *Fair Value Measurement*:

- Assets utilizing Level 1 inputs include money markets, equities, and U.S. Treasury Bills, which amounted to approximately \$7.2 million. There are no liabilities utilizing Level 1 inputs.
- There are no assets and liabilities utilizing Level 2 inputs.
- There are no assets and liabilities utilizing Level 3 inputs.

For a more detailed discussion regarding the fair value hierarchy see *Note 2. Significant Accounting Policies*.

nabCapital Securities, LLC

Notes to Statement of Financial Condition (continued)

5. Subordinated Borrowings

The Company has a subordinated loan from the Parent for working capital purposes since 2004 in the amount of \$5,000,000. Interest accrues at US Dollar LIBOR plus 0.38% and is scheduled to mature on August 31, 2014. The loan was approved by FINRA as a satisfactory subordination. As of September 30, 2009, \$3,189 of accrued interest was recorded.

On July 24, 2009, the Company entered into a revolving subordinated credit agreement with the Parent for additional working capital when needed. The effective date of the agreement is August 14, 2009. The amount of the credit line is \$100,000,000 and will mature August 20, 2010. This agreement has been approved by FINRA as a satisfactory subordination agreement. As of September 30, 2009 there were no outstanding advances on this revolving credit line.

These borrowings, which are subordinated to all claims of general creditors of the Company, constitute part of the Company's net capital under the Uniform Net Capital Rule and may be repaid only if, after giving effect to such repayment, the Company continues to meet its minimum net capital requirements.

6. Related Party Transactions

The Company's tax liabilities and benefits are settled through the New York Branch of the Parent.

Due from affiliates of \$1,162,839 as of September 30, 2009 represent a receivable for income tax benefit due from the New York Branch of the Parent. Due to affiliates of \$6,045,811 as of September 30, 2009, represents a payable of \$634,527 for taxes and \$5,411,284 for operating expenses paid on behalf of the Company by the New York Branch of the Parent.

7. Income Taxes

The Company is a member of a consolidated group for Federal, state and local income tax purposes. The results of the Company's operations are included in the Federal, state and local income tax returns of the New York Branch of the Parent that settles its income tax liabilities with respective taxing authorities. The allocation of the New York Branch of the Parent's income tax liability reflected on these financial statements is computed as if the Company were a fully taxable entity filing its own income tax returns with relevant taxing authorities.

nabCapital Securities, LLC

Notes to Statement of Financial Condition (continued)

7. Income Taxes (continued)

Deferred tax assets of \$1,162,839 (which will be settled with the Parent) at September 30, 2009 consist of the tax value of net operating loss carryforwards. The Company has not provided a valuation allowance for the deferred tax asset as of September 30, 2009, as management believes that it is more likely than not that the Company will generate sufficient taxable income to realize the potential benefit of future deductions from loss carryforwards.

8. Commitments and Contingencies

The Company applies the provisions of U.S. accounting rules, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, which provides accounting and disclosure requirements for certain guarantees. The Company introduces its customer transactions to a clearing broker with whom it has a correspondent relationship for execution and clearance in accordance with the terms of a fully disclosed clearing agreement. In connection therewith, the Company has agreed to indemnify the clearing broker for losses that the clearing broker may sustain as a result of the failure of the Company's customers to satisfy their obligations in connection with their normal delivery versus payment transactions. The Company has placed a \$260,275 deposit with such clearing broker ("Due from clearing broker" on the Statement of Financial Condition). In accordance with applicable margin lending practices, customer balances are typically collateralized by customer securities or supported by other types of recourse provisions.

In the normal course of its business, the Company has been named as a defendant in lawsuits along with other brokers in various underwritings. Management does not expect any losses from any such actions.

9. Net Capital Requirements

As a registered broker-dealer and a member of FINRA the Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule 15c3-1 which requires that the Company maintain minimum net capital, as defined, of 6-2/3% of aggregate indebtedness or \$100,000, whichever is greater. As of September 30, 2009, the Company had net capital of \$3,493,226, which exceeded the regulatory requirement by \$3,167,695.

Under the clearing arrangement with the clearing broker, the Company is required to maintain certain minimum levels of net capital and comply with other financial ratio requirements. At September 30, 2009, the Company was in compliance with all such requirements.

STATEMENT OF FINANCIAL CONDITION

nabCapital Securities, LLC
Year Ended September 30, 2009
with Report of Independent Auditors

